

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF DIRECT COMMUNICATIONS)	CASE NO. DCM-T-04-2
ROCKLAND, INC. FOR AUTHORITY TO)	
BORROW UP TO \$3,277,778 FROM THE)	
RURAL TELEPHONE FINANCE)	ORDER NO. 29485
COOPERATIVE.)	
)	

On March 29, 2004, Direct Communications Rockland, Inc. (Rockland) filed an Application requesting authority to borrow up to \$3,277, 778 from the Rural Telephone Finance Cooperative (RTFC) pursuant to Title 61, Chapter 9. *Idaho Code* § 61-901 requires telephone corporations like Rockland to obtain the Commission's approval before they issue or assume any securities or debt. Rockland is a Title 61 telecommunications provider and serves more than 1,000 customers in southeastern Idaho. *Idaho Code* § 61-121.

The proposed financing would be structured into two loans. First, an RTFC first mortgage loan of \$1,777,778. This first mortgage loan is a 15-year loan maturity with the first mortgage lien shared with the Rural Utilities Service. This mortgage loan would be used to refinance interim financing for system improvements and to purchase the required subordinate Certificate equal to 10% of the loan proceeds.

The second portion of the financing is a interim line-of-credit up to \$1,500,000. The line-of-credit will be used from time to time as necessary to fund system improvements and acquire upgraded facilities. The ultimate purpose of the two loans is to upgrade telecommunication services and to offer broadband services to both business and residential customers. The interest rate on the two loans will be at RTFC's then current market rate at the time loan advances are made. We approve the Application as conditioned below.

STAFF RECOMMENDATION

As indicated in the Company's Application, a major portion of these loan funds will be used for broadband services to business and residential customers along with fiber optics for regulated and non-regulated services. As has been the case with other telephone companies, Staff reported that it was concerned about obligating regulated assets and operating revenues to secure financing for non-regulated activities. Despite this misgiving, Staff recommended that the

Commission approve the loan request. Staff noted that any adjustment associated with the non-regulated costs or proceeds of the loans will occur in Rockland's future rate cases. To monitor any loan covenants required, Staff also recommended adopting the following requirements:

- (1) Provide copies of the RTFC final loan approval documents including documentation for advances;
- (2) Provide a copy of any executed collateral documentation;
- (3) Provide copies of **all** annual certification, covenant reports, and letters regarding these determinations; and
- (4) Provide a report showing amounts advanced, terms of issue, purpose of issue and any covenants or other restrictions.

FINDINGS OF FACT

1. The Commission has jurisdiction over Direct Communications Rockland, Inc. and this Application pursuant to Idaho Code, Title 61, Chapters 1 and 9.

2. Rockland requests the Commission grant it authority to borrow \$3,277,778 from the Rural Telephone Finance Cooperative (RTFC). This amount would be divided between two loans. First is a first mortgage loan of \$1,777,778 with a term of 15 years. The second portion of the loan is to establish a line-of-credit up to \$1,500,000.

3. The Commission finds that the proceeds of the proposed loan will be used for and will partially reimburse Rockland's general fund used to make system improvements and acquire upgraded facilities. In addition, the Commission further finds that the proposed loans will be used to offer business and residential customers a variety of broadband services.

4. All fees have been paid by Rockland in accordance with *Idaho Code* § 61-905.

CONCLUSIONS OF LAW

Direct Communications Rockland is incorporated under the laws of the State of Idaho and is duly authorized to do business in this State in connection with its utility operations.

The Commission has jurisdiction over Rockland and this Application.

The proposed loan to be issued to Rockland by the RTFC is for a lawful purpose and is within Rockland's corporate powers. The proposed transaction is in the public interest. A formal hearing on this matter would serve no public interest.

The Commission approves this Application, conditioned on the same restrictions and filing requirements as required by the RTFC. Rockland shall provide the Commission with copies of all final loan documents, all advance documents, all collateral documentation and all other RTFC required filings as they are completed. Moreover, Rockland shall also file annual statements reflecting total balances outstanding, current certifications, mortgage compliance calculations, and covenant reports and lender letters.

All fees have been paid by Rockland in accordance with *Idaho Code* § 61-905.

ORDER

IT IS HEREBY ORDERED that the Application of Direct Communications Rockland, Inc. to borrow up to \$3,277,778 from the Rural Telephone Finance Cooperative (RTFC) is granted, conditioned upon the same restrictions and filing requirements, if any, as set by the RTFC.

IT IS FURTHER ORDERED that Rockland shall file copies of the following material with the Commission:

- (1) Provide copies of the RTFC final loan approval documents including documentation for advances;
- (2) Provide a copy of any executed collateral documentation;
- (3) Provide copies of **all** annual certification, covenant reports, and letters regarding these determinations filed with the RTFC; and
- (4) Provide an annual report showing amounts advanced, terms of issue, purpose of issue and any covenants or other restrictions.

IT IS FURTHER ORDERED that nothing in this Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of this Order. *Idaho Code* § 61-906.

IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, services, accounts, evaluations, estimates, or determination of costs, or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. DCM-T-04-2

may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. DMC-T-04-2. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27th day of April 2004.



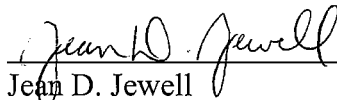
PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER

Commissioner Hansen Dissents - see attached
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

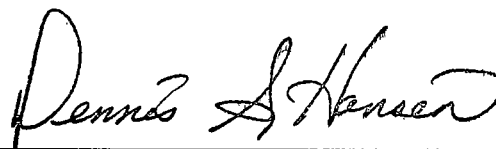


Jean D. Jewell
Commission Secretary

bls/DCMT0402_dh

**DISSENTING OPINION OF
COMMISSIONER DENNIS S. HANSEN
CASE NO. DCM-T-04-2
ORDER NO. 29485**

As noted in the majority opinion, a large portion of Rockland's RTFC loan will be used to deploy broadband facilities to support both regulated and non-regulated services. My concern in this case is that regulatory assets and operating revenues will be pledged to secure financing for non-regulated activities. If loan defaults were to occur (however remote), then the regulatory assets – and possibly the revenues associated with those assets – could be appropriated to satisfy the loan. For this reason, I respectfully dissent.

A handwritten signature in black ink, reading "Dennis S. Hansen". The signature is written in a cursive, flowing style. The first name "Dennis" is written with a large, prominent "D". The last name "Hansen" is written with a large, prominent "H". The signature is positioned above a horizontal line.

DENNIS S. HANSEN, COMMISSIONER